

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

PA-01 PRS-01 FEA-01 ERDA-05 DODE-00 FPC-01 H-01

INT-05 L-03 PM-05 OES-07 ACDA-07 /114 W

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R 161006Z AUG 77

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 8291

USDOC WASHDC

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY TOKYO

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USDOC FOR MEPD

E.O. 11652: N/A

TAGS: ECEM, EIND, JA, SN

SUBJ: SUMITOMO PETROCHEMICAL COMPLEX

1. BEGIN UNCLASSIFIED: JAPANESE PRIME MINISTER FUKUDA'S VISIT TO SINGAPORE WAS THE OCCASION FOR ANNOUNCEMENT OF FURTHER PROGRESS TOWARD THE CONSTRUCTION OF A US\$700 MILLION PETRO-CHEMICAL COMPLEX HERE. J.Y.M. PILLAY, PERMANENT SECRETARY OF THE REVENUE DIVISION, GOS MINISTRY OF FINANCE AND CHAIRMAN OF SINGAPORE AIRLINES, HAS BEEN TAPPED TO HEAD A NEW COMPANY, PETROCHEMICAL CORPORATION OF SINGAPORE (PCS). THE FIRM WAS INCORPORATED AUGUST 10, HAS AN AUTHORIZED CAPITAL OF US\$82.3 MILLION AND INITIAL PAID-UP CAPITAL OF \$1.2 MILLION. A PCS STATEMENT RELEASED AUGUST 14 SAID THE COMPANY IS A 50-50

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JOINT VENTURE BETWEEN THE GOS AND DEVELOPMENT BANK OF SINGAPORE ON ONE HAND AND JAPAN-SINGAPORE PETROCHEMICALS COMPANY (JPSC) ON THE OTHER. JPSC IS A HOLDING COMPANY ESTABLISHED IN SINGAPORE, 30 PERCENT OWNED BY THE JAPANESE OECF AND 70 PERCENT BY THE 23 PARTICIPATING JAPANESE COMPANIES.

2. PCS WILL OWN AND OPERATE THE NAPHTHA GAS OIL CRACKER OF

THE COMPLEX, AND WILL PRODUCE 300,000 TONS PER YEAR OF ETHELYNE AND 165,000 TONS OF PROPYLENE FOR SUPPLY TO THE DOWNSTREAM COMPANIES STILL TO BE ESTABLISHED. TOTAL INVESTMENT IN PCS WILL EVENTUALLY COME TO ABOUT \$410 MILLION, THE AUTHORIZED CAPITAL BEING SUPPLEMENTED BY \$165 MILLION IN SUPPLIER CREDITS AND LOANS TO BE ARRANGED BY THE SHAREHOLDERS. TOTAL INVESTMENT IN THE DOWNSTREAM FACILITIES IS EXPECTED TO BE ABOUT \$288 MILLION.

3. THE COMPLEX WILL BE LOCATED ON AN ISLAND OFF THE SOUTH-WESTERN COAST OF SINGAPORE ADJACENT TO THE ESSO AND SINGAPORE PETROLEUM CO. REFINERIES. DESIGN AND ENGINEERING WORK WILL COMMENCE NEXT YEAR, FOLLOWED BY PROCUREMENT AND CONSTRUCTION. THE COMPLEX IS PLANNED TO COME ONSTREAM IN 1981.

4. OTHER PCS OFFICERS INCLUDE T. HIJAKATA, PRESIDENT OF SUMITOMO CHEMICAL, AS VICE-CHAIRMAN; D. KOMIYAMA, SENIOR MANAGING DIRECTOR FOR TECHNICAL MATTERS OF SUMITOMO, AS MANAGING DIRECTOR; AND NGIAM TONG DOW, CHAIRMAN OF THE SINGAPORE ECONOMIC DEVELOPMENT BOARD AND S. DHANABALAM, EXECUTIVE VP OF DBS, AS DIRECTORS.

5. AT A RECEPTION AUGUST 14, GOS FINANCE MINISTER HON SUI SEN SAID LOCAL SHIPYARDS, EQUIPMENT MANUFACTURERS, CONSTRUCTION AND ENGINEERING COMPANIES COULD REAP EARLY BENEFITS FROM THE PROJECT BY OBTAINING MAJOR CONTRACTS FOR CONSTRUCTION AND EQUIPMENT NEEDS OF THE COMPLEX. THESE CONTRACTS WILL BE PLACED LOCALLY, LIMITED OFFICIAL USE

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ACCORDING TO HON. END UNCLASSIFIED.

6. BEGIN LIMITED OFFICIAL USE: JAPANESE COMMATT TOLD EMBOFF THERE WAS LITTLE CHANCE FOR U.S. FIRMS TO PARTICIPATE IN THIS PROJECT, BUT AN EDB OFFICIAL SAID TWO WEEKS AGO THERE MAY BE SOME ROOM FOR U.S. COMPANIES WHO WISH TO BUILD DOWNSTREAM PLANTS THAT THE JAPANESE ARE NOT INTERESTED IN. SPECIFICALLY, HE SAID THERE WERE NO PLANS TO CONSTRUCT A VINYL CHLORIDE MONOMER FACILITY NOW. SEVERAL DAYS LATER, PRESS ACCOUNTS TOLD OF PRELIMINARY TALKS BETWEEN THE EDB AND DOW FOR JUST SUCH A PLANT. WE PRESUME THAT THE ECONOMICS OF SUCH A PLANT ARE INFLUENCED ON THE JAPANESE SIDE BY EXCESS CAPACITY ON THEIR HOME SOIL. THERE MAY ALSO BE PARTICIPATION BY AMERICAN COMPANIES THROUGH JOINT VENTURES WITH INVOLVED JAPANESE CHEMICAL COMPANIES. IN ADDITION, BADGER CO., A SUBSIDIARY OF RAYTHEON, HAS APPROACHED THE GOS WITH A PROPOSAL THAT IT BE HIRED AS AN INDEPENDENT CONSULTANT TO KEEP THE JAPANESE ON THE STRAIGHT AND NARROW. THERE HAS, TO DATE, BEEN NO RESPONSE FROM THE GOS BUT BADGER IS CAUTIOUSLY OPTIMISTIC.

7. IN A RECENT CONVERSATION WITH THE AMBASSADOR, PM LEE EXPRESSED OPTIMISM ABOUT THE MARKETABILITY OF THE COMPLEX'S OUTPUT.

HE BELIEVES THAT BACKING BY MITI AND THE OECF VIRTUALLY ASSURE
THAT THE LOCAL COMPANY WILL BE GIVEN
A "MARKETING AREA"--WE ASSUME A GEOGRAPHICAL REGION--IN WHICH TO
SELL ITS WARES. AT LEAST ONE KNOWLEDGEABLE AMERICAN BUSINESSMAN
HERE AGREES, ALTHOUGH MANY CHEMICAL EXECUTIVES ARE STILL
SKEPTICAL ABOUT THE MARKET POTENTIAL FOR THE PETROCHEMICALS
FOUR YEARS HENCE.

8. THE NAMING OF J.Y.M. PILLAY AS CHAIRMAN OF PCS IS A NEW
HIGH IN GOS ATTEMPTS TO WORK ITS BRIGHTEST STARS TO DEATH.
IN ADDITION TO HIS CIVIL SERVICE DUTIES, PILLAY IS HEAVILY INVOLVED
IN GOS AND SIA ATTEMPTS TO NEGOTIATE A CIVIL AIR TREATY WITH
THE U.S., AS WELL AS ARRANGING FOR FINANCING, DELIVERY AND
OPERATIONS OF THE NEW DC-10 AIRCRAFT RECENTLY PURCHASED BY
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SIA. HOLDRIDGE

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Message Attributes

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